

Ringgit Weekly Outlook

May extend gains below the 4.60 per USD level amid a potential return of risk-on sentiment

Fundamental Overview

- The ringgit strengthened against the greenback as the USD index fell to near the 103.5 level amid US debt deal optimism, as the bill passed the House of Representatives by a vote of 314-117. This, coupled with waning expectations of another 25 basis points rate hike by the Fed in its June meeting has helped to pushed the MGS-UST yield differential back to positive territory, benefiting the ringgit. However, US better-than-expected JOLTs and ADP readings, coupled with a weaker yuan have capped ringgit's gains.
- As the US Senate is expected to pass the debt limit suspension bill today, the ringgit may benefit and extend gains below the 4.60/USD threshold. However, the focus will quickly shift to the US nonfarm payroll report, as a higher-than-expected reading may drive back demand for the USD. Next week, the trajectory of the ringgit may continue to be influenced by the Fed's policy expectations, as multiple Fed speakers have suggested that the Fed should at least skip a June rate hike. The market will also monitor China's economic data, and the MYR is poised to benefit if the reading is strong.

Technical Analysis

- The USDMYR is expected to turn neutral-to-bearish next week, with the pair likely to hover around its 5-day EMA of 4.602 as its RSI reading is nearing overbought level (See ST Technical table).
- Technical-wise, MYR is expected to trend higher against the USD should the market shift to risk-on mode, with the pair's immediate support awaits at (S1) 4.588, followed by (S2) 4.582. Conversely, the pair may test (R1) 4.607 if safe-haven demand remained strong.

Table 1: Currency Outlook

Long Term*							
	Q1-23	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Trend
USDMYR	4.415	4.416	4.246	4.107	4.046	4.022	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	61.115	4.602	4.607	4.620	4.588	4.582	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

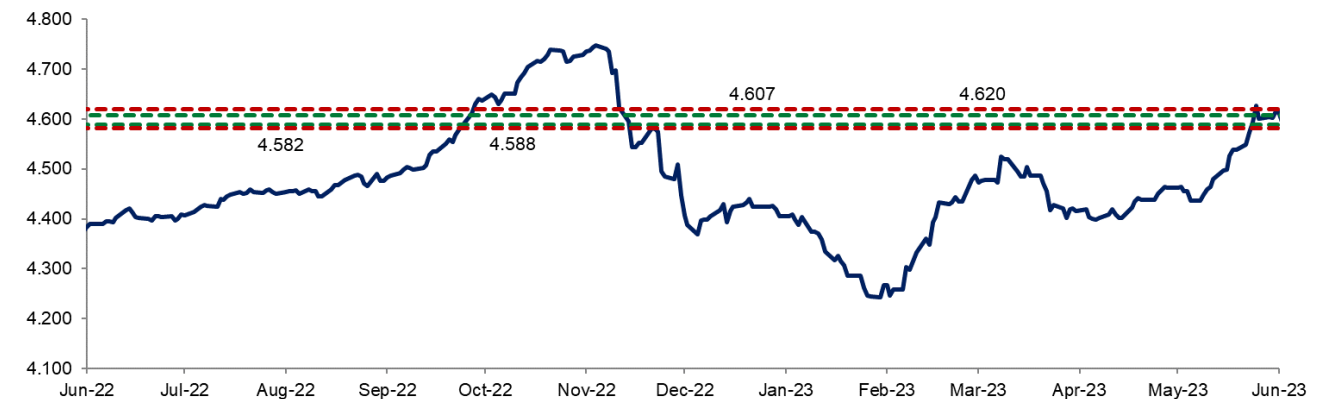
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

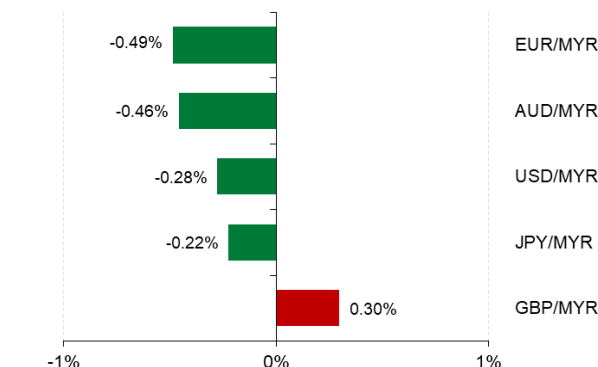
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



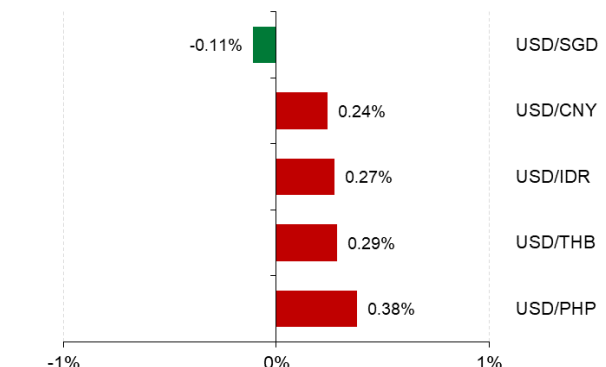
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

02 June 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	01/06/22 Last Year	01/05/23 Last Month	25/05/23 Last Week	01/06/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.383	4.462	4.627	4.614	4.65%	5.27%	3.40%	-0.28%
AUDMYR	2.962	3.154	2.961	3.020	3.006	1.48%	-4.69%	1.53%	-0.46%
GBPMYR	5.255	5.519	5.558	5.727	5.744	9.30%	4.06%	3.34%	0.30%
EURMYR	4.649	4.702	4.903	4.965	4.941	6.27%	5.08%	0.78%	-0.49%
JPYMYR	3.373	3.386	3.254	3.314	3.307	-1.97%	-2.35%	1.61%	-0.22%
SGDMYR	3.280	3.197	3.337	3.422	3.412	4.02%	6.75%	2.26%	-0.27%
ASEAN 5 + CN + JP									
USDIDR	15601	14534	14674	14953	14994	-3.89%	3.16%	2.18%	0.27%
USDTHB	34.444	34.357	34.196	34.643	34.742	0.87%	1.12%	1.60%	0.29%
USDSGD	1.346	1.372	1.332	1.353	1.352	0.39%	-1.50%	1.45%	-0.11%
USDPHP	55.799	52.489	55.474	56.067	56.280	0.86%	7.22%	1.45%	0.38%
USDCNY	6.915	6.686	6.918	7.080	7.098	2.64%	6.15%	2.59%	0.24%
USDJPY	130.690	129.430	136.660	139.590	139.540	6.77%	7.81%	2.11%	-0.04%
USD									
EURUSD	1.053	1.072	1.101	1.072	1.071	1.69%	-0.08%	-2.73%	-0.13%
GBPUSD	1.191	1.259	1.253	1.236	1.246	4.66%	-0.97%	-0.55%	0.87%
AUDUSD	0.670	0.719	0.664	0.653	0.652	-2.73%	-9.32%	-1.81%	-0.09%

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release And Policy Announcement for the Week

Date	Country	Indicator	Previous	Consensus/Forecast
5/6/2023	CN	Caixin Services PMI (MAY)	56.4	55.2
5/6/2023	US	ISM Services PMI (MAY)	51.9	52.1
7/6/2023	CN	Balance of Trade (MAY)	USD90.21b	USD92.00b
7/6/2023	US	Balance of Trade (APR)	-USD64.2b	-USD75.4b
8/6/2023	EA	GDP Growth Rate 3 rd Estimate (Q1)	0.0% QoQ	0.0% QoQ
8/6/2023	US	Initial Jobless Claims (JUN/03)	232.0k	N/A
9/6/2023	CN	Inflation Rate (MAY)	0.1% YoY	0.2% YoY
9/6/2023	MY	Industrial Production (APR)	3.1% YoY	N/A
9/6/2023	MY	Unemployment Rate (APR)	3.5%	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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